

Message Text

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ORIGIN EB-03

INFO OCT-01 ISO-00 /004 R

666

DRAFTED BY EB:NLPZDRAL:DA

APPROVED BY EB:NLPZDRAL

DIST: EB ISO (ONLY)

----- 052990

R 180141Z NOV 75

FM SECSTATE WASHDC

TO USMISSION OECD PARIS

C O N F I D E N T I A L STATE 272500

LIMDIS FOR ASSISTANT SECRETARY ENDERS

FOLLOWING REPEAT LIMA 9477 ACTION SECSTATE 14 NOV

QUOTE

C O N F I D E N T I A L LIMA 9477

LIMDIS

EO 11652: GDS

TAGS: EINV, EFIN, EIND, PFOR, PE

SUBJ: MARCONA - APPARENT BREAKDOWN OF DISCUSSIONS

FOR ARA - WILLIAM ROGERS; L- MONROE LEIGH; EB - THOMAS ENDERS;
TREASURY - JON BUSHNELL; COMMERCE - DAN ARRILL; CIEP - WAYNE
SHARPE; S/P - WINSTON LORD

SUMMARY: IN COURSE OF FISHLOW-DE LA PUENTE TELECON
ABOUT 1:00 P.M. FRIDAY, NOV. 14, IT BECAME APPARENT THAT
PACKAGE CONSISTING OF INTERIM RESUMPTION OF SHIPMENTS AGREE-
MENT AND MINPECO-MARCONA LETTER WAS NOT GOING TO FLY, AT LEAST
FOR TIME BEING. DISCUSSION OF COMPENSATION ISSUE (AGREEMENT,
PWRA. A) HAD RAISED SOME PROBLEMS, BUT KEY ISSUE WAS
APPARENT GOP UNWILLINGNESS TO SEND LETTER TO MARCONA.

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FISHLOW EXPRESSED GREAT DISSPPPOINTMENT, POINTED OUT THAT

WASHINGTON MIGHT CONCLUDE IN VIEW OF SECOND GOP REJECTION OF CONSTRUCTIVE AND IMAGINATIVE SUGGESTED SOLUTION THAT GOP NOT REALLY INTERESTED IN A PROMPT SOLUTION, NOR IS IT OTHERWISE ACTING IN GOOD FAITH. DE LA PUENTE SAID HE WOULD TALK TO PRIME MINISTER, BUT HELD OUT LITTLE HOPE FOR RECONSIDERATION OF GOP POSITION AT THIS TIME. END SUMMARY.

1. DE LA PUENTE CALLED FISHLOW EARLY AFTERNOON; SOME DISCUSSION OF PROBLEMS WITH PARA. (A) OF DRAFT AGREEMENT ENSUED. IT WAS OBVIOUS THAT GOP WANTED TO ESTABLISH IN TEXT ACCEPTANCE BY USE OF FACT THAT JUST COMPENSATION WAS COMPENSATION TO BE ESTABLISHED UNDER PROVISIONS OF GOP DECREE LAW. FISHLOW DEMURRED IN STRONGEST TERMS, AND ARGUED FOR U.S. LANGUAGE COMMITTING BOTH PARTIES TO DISCUSSIONS AIMED AT JUST COMPENSATION, WITHOUT REFERENCE TO PERUVIAN LAW. THIS ISSUE WAS NOT RESOLVED.

2. FISHLOW THEN ASKED ABOUT LETTER, DRAFT OF WHICH WAS TO BE DELIVERED TO EMBASSY THIS MORNING. DE LA PUENTE INDICATED THAT SERIOUS PROBLEMS HAD ARISEN; MINISTERS WERE NOT REPEAT NOT PREPARED TO HAVE MINPECO SEND A LETTER OF ANY SORT TO MARCONA. GOP WAS WILLING ONLY TO SEND LETTER TO STEEL MILLS INDICATING THAT SHIPMENTS WOULD BE RESUMED BY MINPECO IN ACCORDANCE WITH PRICES AND CONDITIONS TO BE DETERMINED. FISHLOW NOTED THAT SUCH A LETTER COULD HAVE (AND PROBABLY HAS) BEEN SENT BY MINPECO AT ANY TIME IN THE PAST, WITHOUT ANY AGREEMENT BEING INVOLVED. DE LA PUENTE APPEARED TO RECOGNIZE THE UNACCEPTABILITY OF THIS APPROACH (CONFIRMED LATER WITH MARCONA) AND INDICATED PROBLEMS WERE ONES OF PRINCIPLE THAT COULD NOT BE RESOLVED BY DRAFTING CHANGES. FISHLOW ADVISED DE LA PUENTE THAT UNDER THE CIRCUMSTANCES THERE WAS NO POINT IN SENDING LETTER TO US.

3. FISHLOW SAID WE HAD TRIED TO COME UP WITH A SECOND BASIS FOR AN INTERIM SOLUTION, BUT THE GOP DID NOT SEEM WILLING OR ABLE EITHER TO MAKE THE NECESSARY DECISIONS TO IMPLEMENT, OR TO COME UP WITH VIABLE MODIFICATIONS. UNDER THE CIRCUMSTANCES, A COMMISSION MEETING SEEMED USELESS. AND THE US GROUP WOULD SIMPLY RETURN HOME THIS EVENING AS PLANNED. HE ASKED DE LA PUENTE TO ADVISE PRIME MINISTER VARGAS PRIETO WHAT HAD TRANSCURRED.

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DE LA PUENTE SAID THAT HE WOULD DO SO. FISHLOW EMPHASIZED HIS DEEP SENSE OF DISAPPOINTMENT AT THIS SECOND FAILURE TO AGREE TO WHAT HE FELT WERE IMAGINATIVE AND CONSTRUCTIVE SOLUTIONS. HE NOTED THAT THE UP-AND-DOWN COURSE OF THE NEGOTIATIONS THIS WEEK, COUPLED WITH THEIR ULTIMATE FAILURE TO REACH AN ACCORD, WOULD PROBABLY APPEAR TO WASHINGTON AS AN INDICATION THAT THE GOP WAS NOT REALLY INTERESTED IN DOING WHAT WAS NECESSARY TO ARRIVE AT A SATISFACTORY SOLUTION,

AND EVEN THAT GOP MIGHT HAVE BEEN STRINGING US GROUP ALONG. FISHLOW REMINDED DE LA PUENTE THAT UNDER THESE CIRCUMSTANCES WE WOULD HAVE TO DO WHAT IS REQUIRED UNDER THE LAW, POSSIBLY PRODUCING A CONFRONTATION, A SITUATION HE REGRETTED BUT ONE THAT COULD NO LONGER BE AVOIDED. DE LA PUENTE SUGGESTED AGAIN A UNILATERAL GOP STATEMENT THAT IT WOULD PAY THE COMPENSATION FIXED BY THE AUDIT; FISHLOW SAID THAT WOULD BE WORSE THAN NOTHING, RAISING AS IT DID THE ISSUE OF ADEQUACY OF THE PROCESS UNDER THE PERUV DECREE. DE LA PUENTE APPEARED EXTREMELY TIRED AND DISTRESSED OVER THE TELEPHONE, BUT OFFERED NO SUGGESTIONS. FISHLOW SAID THE US GROUP WOULD BE LEAVING LATE FRIDAY EVENING, BUT SAID HE COULD BE REACHED LATER IN THE DAY IF THERE WERE ANY NEED TO DO SO.

4. COMMENT: GOP MINISTERS HAVE APPARENTLY BALKED AT THE DIRECT PUBLIC RELATIONSHIP WITH MARCONA THAT LETTER IMPLIED, AND DID SO IN UNEQUIVOCAL FASHION. OUR GUESS IS THAT THE PROPOSAL MAY BE KICKED AROUND FURTHER WITHIN THE GOP DURING NEXT FEW DAYS, BUT FOR THE TIME BEING NO FURTHER ACTION ON OUR PART WOULD BE USEFUL. RATHER, BALL IS CLEARLY IN GOP-'S COURT, THEY MUST SEEK US OUT, AND WE WILL MAKE VERY EFFORT-- WITH COUNTRY TEAM'S FULL COOPERATION--TO SEE THAT IN THE INTERIM MARCONA MATTER IS NOT RAISED OR DISCUSSED WITH ANY GOP OFFICIAL. IT IS TIME FOR GOP TO MEDITATE ALONE.
DEAN
UNQTE. KISSINGER

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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: AGREEMENT DRAFT, NATIONALIZATION, COMPENSATION, NEGOTIATIONS, STEEL PLANTS
Control Number: n/a
Copy: SINGLE
Draft Date: 18 NOV 1975
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ShawDG
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975STATE272500
Document Source: CORE
Document Unique ID: 00
Drafter: NLPAZDRAL:DA
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D750401-0043
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19751136/aaaabfow.tel
Line Count: 141
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: LIMDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: LIMDIS
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: ShawDG
Review Comment: n/a
Review Content Flags:
Review Date: 28 MAY 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <28 MAY 2003 by ElyME>; APPROVED <19 DEC 2003 by ShawDG>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: MARCONA - APPARENT BREAKDOWN OF DISCUSSIONS FOR ARA - WILLIAM ROGERS; L- MONROE LEIGH; EB - THOMAS ENDERS;
TAGS: EINV, EFIN, EIND, PFOR, EMIN, PE, US, MARCONA, MINPECO
To: OECD PARIS
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006